

Message Text

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43

ACTION EUR-12

INFO OCT-01 AF-06 NEA-09 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 CIAE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 EB-07 COME-00 TRSE-00 EURE-00

OMB-01 OPIC-03 FRB-03 SAM-01 A-01 OPR-02 SY-05 /089 W
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O R 131546Z MAR 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 2063

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMCONSUL LOURENCO MARQUES

AMCONSUL LUANDA

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY RABAT

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

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E.O. 11652: N/A

TAGS: PINT, MILI, PO

SUBJ: ARREST OF PROMINENT BUSINESSMEN AND BANKERS

REF: LISBON 1363

1. IN ADDITION TO ARREST OF ESPIRITO SANTO FAMILY MEMBERS
(REFTEL), PRESS REPORTS ARREST MARCH 12 OF JORGE AND JOSE DE MELO,
PRINCIPAL MANAGERS AND OWNERS OF THE MAMMOTH COMPANHIA
UNIAO FABRIAL (CUF), PORTUGAL'S LARGEST INDUSTRIAL CONGLOMERATE.
ADDITIONAL ARRESTS NOTED WERE PRESIDENT OF BANCO DE ALENTEJO,
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ONE OF COUNTRY'S SMALLER BANKS, AND STILL MORE EMPLOYEES OF

ESPIRITO SANTO BANK.

2. COMMENT: A. FULL IMPORTANCE OF THESE ARRESTS NOT YET KNOWN. IN THE PAST SOME BUSINESSMEN HAVE BEEN ARRESTED AND HELD FOR ONLY A SHORT TIME. A FEW, HOWEVER, FACING SERIOUS CHARGES, ARE STILL IN JAIL AFTER BEING ARRESTED SEVERAL MONTHS AGO. WHILE NO SPECIFIC CHARGES HAVE BEEN LEVELED AGAINST THE ESPIRITO SANTOS OR THE DE MELOS THE MEDIA ARE SUGGESTING THAT THEY ARE CONNECTED WITH EFFORTS TO PREVENT FLIGHT OF CAPITAL. (BANKS INCIDENTIALLY CLOSED MARCH 12 AND 13.) ANOTHER INTERPRETATION IS THAT THE GOP IS USING THE ATTEMPTED COUP AS AN EXCUSE TO MOVE AGAINST POWERFUL BUSINESS INTERESTS AS PART OF THE AFM PROGRAM PLEDGE TO PURSUE AN ANTI-MONOPOLY STRATEGY.

B. NO MATTER WHAT MOTIVATION LIES BEHIND THE ARRESTS, THE FACT THAT THEY OCCURRED WILL HAVE A DEMORALIZING EFFECT ON THE LOCAL BUSINESS COMMUNITY AND PRODUCE UNFAVORABLE REACTIONS IN INTERNATIONAL BUSINESS CIRCLES WHERE CUF IS WELL KNOWN. GOP ALSO INCURS ECONOMIC RISK IF ARRESTS JEOPARDIZE EXTENSIVE OPERATIONS OF CUF, WHICH IS ONE OF FEW MODERN AND WELL-RUN ENTERPRISES IN PORTUGAL.
CARLUCCI

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Message Attributes

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